

VZCZCXRO4588
PP RUEHBW RUEHIK RUEHPD RUEHPW RUEHYG
DE RUEHBUL #0984/01 1131358
ZNR UUUUU ZZH
P 221358Z APR 08
FM AMEMBASSY KABUL
TO RUEHC/SECSTATE WASHDC PRIORITY 3660
INFO RUCNAFG/AFGHANISTAN COLLECTIVE
RUEHZG/NATO EU COLLECTIVE
RUEKJCS/OSD WASHINGTON DC
RUEKJCS/JOINT STAFF WASHINGTON DC
RUEKJCS/SECDEF WASHINGTON DC
RUEABND/DEA HQS WASHINGTON DC
RHMFIUU/HQ USCENTCOM MACDILL AFB FL
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC
RUEAIIA/CIA WASHINGTON DC
RHEFDIA/DIA WASHINGTON DC
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC

UNCLAS SECTION 01 OF 02 KABUL 000984

SIPDIS

DEPT FOR SCA/RA, SCA/A, EEB, EEB/ESC/IEC (GRIFFIN)
DEPT PASS AID/ANE, OPIC
DEPT PASS USTR FOR LILIENFELD AND KLEIN
DEPT PASS OPIC FOR ZAHNISER
DEPT PASS TDA FOR STEIN AND GREENIP
CENTCOM FOR CG CFC-A, CG CJTF-76, POLAD, JICENT
NSC FOR JWOD
TREASURY FOR ABAUKOL, BDAHL, AND MNUGENT
MANILA PLEASE PASS ADB/USED
PARIS FOR USOECD/ENERGY ATTACHE
OSD FOR SHIVERS, SHINN
COMMERCE FOR DEES, CHOPPIN, AND FONOVICH

SIPDIS

E.O. 12958 N/A
TAGS: [ENRG](#) [EFIN](#) [ETRD](#) [KPWR](#) [EAID](#) [PGOV](#) [AF](#)
SUBJECT: AF: UPDATE ON USG ENERGY PROJECTS

¶1. (U) The following cable provides a current status update on USG energy sector projects in the Islamic Republic of Afghanistan (IRoA).

¶2. (U) KABUL 100 MW GENERATOR SETS (GENSETS) - The IRoA transferred another USD 10 million to the U.S. Treasury, completing the Afghan Government's USD 20 million contribution to the project. We are in the process of selecting a subcontractor for Balance of Plant (BOP) works and bids for the site security contract were due April 12.

¶3. (U) Two security incidents at the construction site on March 30 and 31 resulted in the destruction of approximately 70 meters of perimeter wall. As a result, and because of additional threats to the workers made by local inhabitants, all site work was suspended. It was hoped that Minister of Energy and Water (MEW) Ismail Khan would be able to resolve the new dispute over land with local elders. After several postponements, a meeting held April 15 did not yield positive results. Because the dispute centers on claims of land ownership, Minister of Urban Development (MUD) M. Yousuf Pashtun, is working with Minister Khan to resolve the issue. Minister Khan departed for Uzbekistan on April 20. Minister Pashtun met with contractor representatives Louis Berger Group (LBG) on April 20 and later that day visited the site. He seems dedicated to obtaining a favorable resolution of this matter, but, to date, there is no resolution.

¶4. (U) LBG/BV (LBG and Black and Vetch), USAID contractors for the project, indicated that if the issue can be resolved before the end of April, they will be able to keep the project on schedule. However, if delays persist, they will be unable to guarantee the installation of any generation capacity before 2009. Though site relocation has been mentioned as a possibility, such a move would cost an additional USD 2 million, push back the delivery of initial power from the project by at least six months (mid-2009) and would not guarantee security at the new site. The contractor has requested government (Afghan National Army) assistance in protecting

the site, but has not had a reply to date. The Embassy may reach out shortly to the IROA to underscore the gravity of the situation. A follow-on meeting with local authorities was held April 20 in the hopes of arriving at a final resolution; we are currently waiting to hear the results of that meeting.

¶15. (U) North East Power System (NEPS) - UZBEK COMPONENT - On April 16 Minister of Economy (MOE) Mohammad Shams received official notification from the Government of Uzbekistan that it is ready to sign the construction contract for the 43 km segment of NEPS line within its national boundary. Shams and Minister Ismail Khan departed Kabul on April 20 and the official ceremony is expected to take place Tuesday, April 22 in Tashkent. With the contract signing, Afghanistan will transfer USD 12.5 million to fund the construction. Shams is expected to invite Uzbekenergo representatives to Afghanistan for the necessary site visits in order to ensure proper functioning of the line prior to its being energized. Uzbekenergo reps have stated they expect the line to be completed and energized by October 2008 and to initially supply 150 MW of power. A formal PPA agreement has not been signed, although negotiations continue. Now that the construction hurdle has been passed, Minister Shams expects rapid progress in PPA talks.

¶16. (U) NEPS - TAJIKISTAN COMPONENT - Asian Development Bank (ADB) representatives had successful meetings in March with the Tajiks regarding power imports into Afghanistan. A draft PPA, initially drafted by USAID's contractor, is under discussion and agreement is expected shortly. An Afghan delegation, ostensibly going to participate in the Energy Charter Meetings to be held in Dushanbe, is expected depart Kabul the week of April 20. They will be accompanied by USAID's technical assistance staff, who are well acquainted with the details of the PPA. The successful conclusion of a PPA is expected shortly.

KABUL 00000984 002 OF 002

¶17. (U) NEPS - TURKMENISTAN COMPONENT - Ashgabat 0469 is the most recent cabled summary of the productive April 8-9 meetings between the Afghans and Turkmen. Agreements to supply 300 MW of electricity to Afghanistan (via the NEPS) by 2010 were signed. The cable notes, however, that some commercial aspects have yet to be worked out. A joint technical working group is being formed, and progress may occur shortly when Turkmen President Berdimuhamedov visits Kabul on April 28.

¶18. (U) SHEBERGHAN GAS FIELDS TESTING - Representatives of the contractor are expected in Kabul on April 24 to resolve the final details of the contract. A site visit is also planned that week. We expect the contract to be finalized and signed by April 30 with a mid-May contractor mobilization into the field. USAID and ADB are in contact to work out the details of additional ADB funding to the project once contracts are signed.

¶19. (U) South East Power System - SEPS - As always, security problems persist at the site. The contractor completed the dismantling of the Unit 3 turbine and during the next two weeks will prepare a detailed report of all repairs and an estimated schedule for full refurbishment. Attention is now focused on looking for a means to deliver Unit 2 parts and construction materials to the site (this has to occur by road because of the weight of some components) before winter 2009.

¶10. (U) DABM Corporatization - We will be reporting separately on the corporatization of the Afghan electricity distribution organization.

WOOD